



ARMSTRONG

Telephone Company - Northern Division

Progress Update- 47 C.F.R. §54.313(a)(1)

Armstrong Telephone Company (Armstrong) submits its five year progress report for Service Quality Improvement pursuant to C.F.R. 54.313(a)(1) detailing its progress towards meeting its targets for improvement and upgrade to COMPANY network throughout its service area. The receipt of USF support, combined with other funding sources will allow COMPANY to continue to meet its broadband obligations within its service area, complete service request within a reasonable amount of time, provide reliable, state-of-the-art, high-quality voice and broadband service, to its rural customers in six exchanges. The projects listed within this plan will be used to improve or upgrade the network over the next five years. In addition, this progress report provides sufficient data that details capital and operational expenditures, the amount of USF received allocated between capital and operational expenditures. All USF funds received and detailed within this progress report were used in accordance with federal rules and regulations towards improving service quality, service coverage, and service capacity.

The Company project that the capital expenditures, by Part 32 accounts for 2015 through 2019 related the above identified projects will be:

	CY 2015*	CY 2016*	CY 2017*	CY 2018*	CY 2019*
2110 Land & General Support					
2210 Central Office Switching					
2230 Central Office Transmission					
2410 Cable & Wire Facilities					
Total Capital Expenditures					

The Company project that the operating expenditures, by Part 32 accounts for 2015 through 2019 related the above identified projects will be:

	CY 2015*	CY 2016*	CY 2017*	CY 2018*	CY 2019*
Plant Specific					
Plant Nonspecific					
Depreciation					
Customer Operations					
Corporate Operations					
Total Operating Expenses					

*Budget projection amount subject to change based upon the needs and conditions of the Company

USF YTD (1/15 - 6/15)	Amount
ICLS	
ICC	
Total YTD	
USF BreakOut	
CapEx USF	
OpeEx USF	
Total	

REDACTED - FOR PUBLIC INSPECTION

MAP

LOCAL EXCHANGE RATES AND REGULATIONS

3. TEL-ASSISTANCE SERVICE (CONT'D)

Rates (cont'd)

Tel-Assistance subscribers are not required to pay the Federal Subscriber Line Charge.

A first-time Tel-Assistance subscriber may, at his or her option and for a period of 120 days following the commencement of his or her Tel-Assistance Service, change back to the service he or she had immediately prior to commencement of his or her Tel-Assistance service, and the following regulations will be in effect for such changes in service:

No nonrecurring service change charges will apply.

The customer will be billed only the local exchange rates and charges for the time that his or her Tel-Assistance Service was in effect that would have been charged for that period had the subscriber not subscribed to Tel-Assistance service.

4. LOW-INCOME PROGRAMS

The Company, as part of its obligations as an Eligible Telecommunications Carrier, offers one (1) low-income assistance program. This program, Lifeline Assistance, is offered under the terms and conditions provided below: (C)

A. Lifeline Assistance

1. General

Lifeline Assistance is a retail service offering available to qualifying low-income subscribers, as provided for below. Lifeline Assistance enables eligible subscribers to pay reduced charges for the following package of services: voice-grade access to the public switched network; voice grade access to the public switched network or its functional equivalent; minutes of use for local service provided at no additional charge to end users; access to the emergency services provided by local government or other public safety organizations, such as 911 and enhanced 911, to the extent the local government in an eligible carrier's service area has implemented 911 or enhanced 911 systems; and toll limitation services to qualifying low-income consumers.

(C)
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(C)

Issued by authority of an Order of the Public Service Commission of West Virginia in Case No. 12-0914-T-T dated July 30, 2012, effective August 1, 2012.

Issued June 30, 2012

Effective August 1, 2012

LOCAL EXCHANGE RATES AND REGULATIONS

4. LOW-INCOME PROGRAMS (CONT'D)

A. Lifeline Assistance (Cont'd)

2. Regulations

- a) Unless other eligibility requirements are established by the Commission, Lifeline Assistance is available to all subscribers who participate in one of the following programs: Medicaid; Supplemental Nutrition Assistance Program (SNAP), formerly known as food stamps; Supplemental Security Income (SSI); Federal Public Housing Assistance; Low-Income Home Energy Assistance Program (LIHEAP); National School Lunch Program's free lunch program; Temporary Assistance for Needy Families (TANF), or whose household income is below 135% of the Federal Poverty Guidelines for a household of that size.
- b) Each subscriber to Lifeline Assistance must certify in writing to the Company, under penalty of perjury, that she/he receives benefits under a program outlined in sub-paragraph (b) (1), above, and must, on that same document, agree to notify the Company if she/he ceases to participate in the program. The certification form shall conform to the requirements described herein, and shall be made available upon request to any subscriber. The Company shall retain all such subscriber certifications in order to furnish proof of subscriber eligibility as may be required from time to time by Universal Service administrators.
- c)
- d) A subscriber may elect at the time of subscription or later to Lifeline Assistance to receive toll limitation as part of Lifeline Assistance. "Toll limitation" is a service that allows a subscriber to elect not to allow the completion of outgoing toll calls from the subscriber's residence.

(C)

(C)

(C)

(D)

(D)

(D)

LOCAL EXCHANGE RATES AND REGULATIONS

4. LOW-INCOME PROGRAMS (CONTD)

A. Lifeline Assistance (Cont'd)

2. Regulations (Cont'd)

- a) Lifeline Assistance will not be disconnected for non-payment of toll charges, unless the Company first obtains a waiver from the Commission by demonstrating to the Commission that the Company would otherwise incur substantial costs, that the Company offers toll limitation without charge, and that telephone subscribership among low-income consumers. For purposes of this paragraph, a "low-income consumer" is one with an income below the poverty level for a family of four residing in West Virginia. The Company shall follow all applicable notice provisions as established, from time to time, by the Commission, as part of using a waiver, if granted. The Company may apply for waivers as necessary.
 - f) The Company may not collect a service deposit in order to initiate Lifeline Assistance if the qualifying low-income subscriber voluntarily elects toll limitation from the Company.
3. Lifeline Assistance provides a Federal credit of \$9.25 on the subscriber's monthly service bill. (C)
- (C)
4. The Company shall apply the baseline payments received by the administrator of the federal Lifeline Assistance program to waive the qualifying customers' federal End-User Common Line Charge. The Company shall apply any additional federal support amount to the qualifying customer's basic local exchange service rate.
5. To be eligible for Lifeline Assistance, qualifying customers must subscribe to the lowest priced, basic local exchange service offering that is made available at the subscriber's domicile.

Superseding

LOCAL EXCHANGE RATES AND REGULATIONS

4. LOW-INCOME PROGRAMS (CONT'D)

A. Lifeline Assistance (Cont'd)

6. Partial payments that are received from Lifeline customers shall first be applied to local service charges and then to any outstanding toll charges.

B. Link Up

1. General

The Link Up program has been eliminated by the Federal Communications Commission effective April 1, 2012.

(C)

(C)

(D)

(D)

Issued by authority of an Order of the Public Service Commission of West Virginia in Case No. 12-0422-T-T dated April 17, 2012, effective May 6, 2012.

Issued April 6, 2012

Effective May 6, 2012

Armstrong Telephone Company-Northern Division
(Corporate Name)

P.S.C. No. 3 Telephone

Section 3

Original Leaf No.

First Revised Leaf No. 20

Original Leaf No. 20

Superseding

LOCAL EXCHANGE RATES AND REGULATIONS

4. LOW-INCOME PROGRAMS (CONT'D)

(D)

(D)

C. All aspects of the Lifeline Assistance program shall be subject to the interpretation of applicable Federal regulations and any directives which may from time to time be prescribed by the Universal Service Administrative Company. These rules are separate and apart from any rules prescribed as part of a state Universal Service program.

(C)

Issued by authority of an Order of the Public Service Commission of West Virginia in Case No. 12-0422-T-T dated April 17, 2012, effective May 6, 2012.

Issued April 6, 2012

Effective May 6, 2012

Response to Line3010
Armstrong Telephone Company – Northern Division
Study Area 200267

Milestone Certification

Pursuant to 47 C.F.R. § 54.202(a) Armstrong Telephone Company – Northern Division (the “Company”) provides this certification that it is taking reasonable steps to provide upon reasonable request broadband speeds of at least 4 Mbps downstream/1 Mbps upstream, with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to offerings in urban areas as determined in an annual survey as specified in Public Notice DA 15-470, and that requests for such service are met within a reasonable amount of time. Details for how the Company is meeting its obligations for meeting its goals and required obligations are specified within the FCC Form 481 annual filing.

MOSS ADAMS LLP
 Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS

Board of Directors
 Armstrong Telephone Company – Northern Division, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of Armstrong Telephone Company – Northern Division, Inc. (Company), which comprise the balance sheets as of September 30, 2014 and 2013, and the related statements of operations, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

REPORT OF INDEPENDENT AUDITORS
(continued)

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Armstrong Telephone Company - Northern Division, Inc. as of September 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 7 to the financial statements, the Company corrected its accounting for deferred taxes and has restated its balance sheet as of October 1, 2013, to conform with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Moss Adams LLP

Spokane, Washington
January 19, 2015

ARMSTRONG TELEPHONE COMPANY - NORTHERN DIVISION, INC.
BALANCE SHEETS

ASSETS

	September 30,	
	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	\$ 334,567	\$ 366,726
Subscriber accounts receivable, net of allowance of \$9,161 and \$3,241 in 2014 and 2013, respectively	361,135	371,007
Other accounts receivable, net of allowance of \$4,550 and \$1,072 in 2014 and 2013, respectively	536,465	556,028
Material and supplies	176,408	168,676
Other current assets	71,208	55,772
Total current assets	<u>1,479,783</u>	<u>1,518,209</u>
PROPERTY, PLANT, AND EQUIPMENT		
Telecommunications plant in service	18,809,973	18,584,050
Nonregulated plant in service	474,042	474,042
Telecommunications plant under construction	88,505	1,973
	<u>19,372,520</u>	<u>19,060,065</u>
Less accumulated depreciation	<u>15,599,944</u>	<u>15,168,744</u>
	<u>3,772,576</u>	<u>3,891,321</u>
	<u>\$ 5,252,359</u>	<u>\$ 5,409,530</u>

ARMSTRONG TELEPHONE COMPANY - NORTHERN DIVISION, INC.
BALANCE SHEETS

LIABILITIES AND STOCKHOLDER'S EQUITY

	September 30,	
	2014	2013 (As restated)
CURRENT LIABILITIES		
Accounts payable	\$ 365,989	\$ 351,533
Advance billing	258,474	255,863
Income tax payable, parent company	28,534	89,117
Other accrued taxes	43,276	49,051
Other accrued liabilities	183,865	222,113
 Total current liabilities	 880,138	 967,677
 OTHER LIABILITIES AND DEFERRED CREDITS		
Deferred income taxes	531,168	582,269
 STOCKHOLDER'S EQUITY		
Common stock (\$1,000 par value; 250 shares authorized, 135 shares issued and outstanding)	135,000	135,000
Retained earnings	3,706,053	3,724,584
	3,841,053	3,859,584
	<u>\$ 5,252,359</u>	<u>\$ 5,409,530</u>

ARMSTRONG TELEPHONE COMPANY - NORTHERN DIVISION, INC.
STATEMENTS OF OPERATIONS

	Years Ended September 30,	
	2014	2013
Operating revenues		
Wireline		
Customer	\$ 1,821,979	\$ 1,641,000
Intercarrier		
Interstate	1,474,739	1,361,425
Intrastate	762,550	862,587
Universal service support - federal	1,151,908	1,318,279
	<u>5,211,176</u>	<u>5,183,291</u>
Internet	<u>1,106,252</u>	<u>1,173,612</u>
Miscellaneous		
Equipment	114,911	116,516
Carrier billing and collection	17,964	17,924
Other	10,858	17,905
Directory	35,550	43,210
Uncollectible	<u>(11,208)</u>	<u>(9,411)</u>
	<u>168,075</u>	<u>186,144</u>
Total operating revenues	<u>6,485,503</u>	<u>6,543,047</u>
Operating expenses		
Plant specific operations	1,890,199	1,679,859
Plant nonspecific operations	741,148	731,068
Depreciation	623,099	943,457
Customer operations	663,499	661,162
Corporate operations	1,777,990	1,735,852
Other operating taxes	116,652	
Nonregulated	<u>636,870</u>	<u>567,848</u>
	<u>6,449,457</u>	<u>6,319,246</u>
Net operating income	<u>36,046</u>	<u>223,801</u>
Nonoperating income (expense)		
Interest and dividend income	-	92
Interest expense	-	(709)
Other nonoperating income	<u>56,420</u>	<u>52,033</u>
	<u>56,420</u>	<u>51,416</u>
Income before income taxes	<u>92,466</u>	<u>275,217</u>
Income tax expense	<u>(110,997)</u>	<u>(202,362)</u>
Net income (loss)	<u>\$ (18,531)</u>	<u>\$ 72,855</u>

ARMSTRONG TELEPHONE COMPANY – NORTHERN DIVISION, INC.
STATEMENTS OF CASH FLOW

	Years Ended September 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (18,531)	\$ 72,855
Adjustments to reconcile net income (loss) to net cash from operating activities		
Depreciation	623,099	943,457
Deferred income taxes	(51,101)	(156,037)
Change in assets and liabilities		
Receivables	29,435	(15,371)
Material and supplies	(7,732)	27,865
Other assets	(15,436)	70,644
Accounts payable	14,456	(168,799)
Advance billing	2,611	40,128
Income taxes payable/receivable	(60,583)	274,984
Other accrued liabilities	(44,023)	52,513
Net cash from operating activities	<u>472,195</u>	<u>1,142,239</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net acquisition of nonregulated equipment	-	(15,929)
Net acquisition of property, plant, and equipment	(504,354)	(215,248)
Net cash from investing activities	<u>(504,354)</u>	<u>(231,177)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on related party note payable	-	(1,110,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(32,159)</u>	<u>(198,938)</u>
CASH AND CASH EQUIVALENTS at beginning of year	<u>366,726</u>	<u>565,664</u>
CASH AND CASH EQUIVALENTS at end of year	<u>\$ 334,567</u>	<u>\$ 366,726</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid (received) during the year for		
Interest	\$ -	\$ 1,951
Income taxes	\$ 53,750	\$ 161,800